

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6775**

**BILL NUMBER:** SB 205

**NOTE PREPARED:** Dec 28, 2003

**BILL AMENDED:**

**SUBJECT:** Payments in Lieu of Taxes for DNR Land.

**FIRST AUTHOR:** Sen. Waterman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the Department of Natural Resources (DNR) to make a semi-annual payment in lieu of property taxes (PILOT) for land owned or leased by the Department, except for land used as a state park. The legislative body of a county and the board of directors of a conservancy district are allowed to collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value of one-third of the statewide agricultural land value base. This bill establishes the Pilot Transfer Fund and appropriates from the state General Fund to the Pilot Transfer Fund the amount necessary to make required distributions.

**Effective Date:** January 1, 2004 (retroactive).

**Explanation of State Expenditures:** According to the State Land Office, state agencies have reported owning approximately 343,166 acres. Of this total, the DNR manages approximately 320,000 acres. (The majority of the remaining acres, or 23,166 acres, are owned by state universities.) Of the total number of acres managed by the DNR, approximately 176,000 acres, or 55%, are dedicated to state parks. The proposal would require payment on the remaining 144,000 acres, 76% of which, or 110,000 acres, are fish and wildlife areas used primarily by hunters and anglers.

The proposal provides that the PILOT equals the number of acres (144,000) multiplied by 33 1/3 % of the statewide agricultural land value base. The statewide agricultural land value base is \$1,050. One third of this figure would equal \$350. Applying the AV rate of \$350 per acre to the eligible 144,000 acres would result in an assessed value of \$50.4 M. The PILOT would first be due for property taxes payable after December 31, 2004, or for property tax year 2005. The estimated 2005 statewide average net property tax rate is estimated at \$1.9266 per \$100 AV. Using the estimated tax rate, the state's liability is estimated at \$971,006

(\$50,400,000 divided by \$100 and multiplied by \$1.9266). State fiscal year impacts are estimated at \$485,503 in FY 2005 (or ½ of the first calendar year) and \$971,006 in FY 2006 for the second year. The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located. If counties or conservancy districts used PILOT revenue to reduce property tax levies, state expenditures for property tax replacement could decrease. The decrease is not expected to be significant.

The bill establishes the PILOT Transfer Fund. An annual transfer from the state General Fund to the PILOT Transfer Fund would be made in the amount necessary to fund the PILOT. The bill also makes an appropriation from the PILOT Transfer Fund for the PILOT distribution. Expenses for administering the fund are to be paid from money in the fund. Money in the fund at the end of a state fiscal year does not revert to the state General Fund.

The Department of Local Government Finance (DLGF), the Department of Natural Resources, and the Auditor of State will experience additional administrative expenses associated with the proposal. The DLGF is required to prescribe forms on which the Auditor of State will convey information regarding the state-owned land to township assessors. The DNR is to make semi-annual payments to counties and conservancy districts. The specific impact of these provisions is indeterminable at this time.

**Explanation of State Revenues:** The State Treasurer is to invest money in the PILOT Transfer Fund not needed to meet the obligations of the fund in the same manner as other public money may be invested.

**Explanation of Local Expenditures:** Revenue collections by counties and conservancy districts will not be affected. The tax liabilities of local taxpayers could decrease if the PILOTs are used to reduce levies, although the impact is not expected to be significant.

**Explanation of Local Revenues:** Beginning in CY 2005, counties and conservancy districts that contain certain land owned or leased by the DNR would receive PILOTs from the state under this proposal. PILOTs are estimated at around \$971,006 per year. This money is in addition to all other revenues currently received and would have no effect on local property tax rates or collections unless the unit elects to use the revenue to reduce its property tax levy.

**State Agencies Affected:** Department of Natural Resources, Auditor of State, Treasurer of State, and the Department of Local Government Finance.

**Local Agencies Affected:** Counties and conservancy districts in counties that contain certain land owned or leased by the DNR.

**Information Sources:** Jim Lewis, State Land Office (232-3335); Local Government Database; and the DNR (233- 6904).

**Fiscal Analyst:** Bernadette Bartlett, 317-232-9586.